

DIRECT TESTIMONY AND EXHIBIT OF

BRANDON S. BICKLEY

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2019-290-WS

**IN RE: APPLICATION OF BLUE GRANITE WATER COMPANY FOR
APPROVAL TO ADJUST RATE SCHEDULES AND INCREASE RATES**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Brandon S. Bickley. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the South Carolina Office of Regulatory Staff ("ORS") in the Energy Operations Department as a Regulatory Analyst.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree with a major in Mechanical Engineering from the University of South Carolina in 2010. From 2010 to 2013, I was employed as a Nuclear Engineer, Reactor Fuel Safety Officer, and Shift Refueling Engineer at Norfolk Naval Shipyard. In that capacity, I performed engineering and operational duties in support of the United States Navy related to reactor servicing, reactor fuel, special nuclear material, special nuclear projects, security, and safety. From 2013 to 2017, I was employed as an Inspections, Tests, Analyses, and Acceptance Criteria ("ITAAC") Engineer with South Carolina Electric & Gas Company ("SCE&G"). In that capacity, I performed ITAAC reviews and construction oversight for SCE&G. From 2017 to 2019, I was employed by Savannah River Remediation as a Senior Engineer A. In that capacity, I performed systems

engineering duties in support of the Defense Waste Processing Facility for Savannah River Remediation. I began my employment with ORS as a Regulatory Analyst in July 2019.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. No. I have not previously testified before the Commission.

Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?

A. ORS represents the public interest as defined by the South Carolina General Assembly as:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to set forth the ORS recommendations as they relate to my review of Blue Granite Water Company’s (“BGWC” or the “Company”) rate increase application (“Application”). Specifically, I will focus on the following areas:

- BGWC’s proposal to amend tariff language and fees related to the Pumping Charge for Solids Interceptor (“LETTS”) Tanks;
- BGWC’s proposed Round Up Program;
- BGWC’s proposed storm expense for the twelve (12) months ending June 30, 2019 (“Test Year”); and
- BGWC’s proposed Storm Reserve Fund.

Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes. The review to which I testify was performed by me or under my supervision.

1 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**
2 **TESTIMONY AND EXHIBITS.**

3 **A.** I used information provided by BGWC in its Application as well as additional
4 information provided by BGWC during my review and subsequent discovery.

5 **Proposed Tariff change to Pumping Charge for LETTS Tanks**

6 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED CHANGES TO THE**
7 **TARIFF LANGUAGE FOR THE PUMPING CHARGE FOR CUSTOMERS WITH**
8 **LETTS TANKS.**

9 **A.** In the Application, BGWC requests to amend its tariff language and fees for the
10 Pumping Charge which impacts customers with LETTS Tanks. BGWC proposes to change
11 the Pumping Charge from \$150 to the actual cost to access, pump, and service the tanks on
12 a periodic basis. Exhibit A of the Application denotes the Amended Proposed Tariff. The
13 Company's proposed language in the tariff states:

14 On such regular intervals as the Utility deems prudent, or upon discovery
15 that excessive solids have accumulated in the interceptor tank, the Utility
16 will arrange for the customer's tank to be pumped out and cleaned. The
17 Utility shall bill the customer for the actual cost to the Utility of pumping
18 and cleaning the tank, including the Utility's cost to access the tank
19 ("Pumping Charge"). The Pumping Charge will be included as a separate
20 line item on the next regular billing to the customer. Alternatively, at the
21 customer's request, the Pumping Charge may be billed to the customer in
22 twelve equal monthly installments.¹

23 **Q. PLEASE EXPLAIN THE FINDINGS FROM ORS'S REVIEW OF THE**
24 **PROPOSED CHANGES TO THE TARIFF LANGUAGE REGARDING THE**
25 **PUMPING CHARGE.**

¹ BGWC Application, Exhibit A, Page 10 of 12, "Amended Proposed Tariff" and BGWC Application, Exhibit A, Page 10 of 12, "Amended Proposed Tariff (marked up)."

1 **A.** During 2018 and 2019, BGWC recorded five hundred eighty-one (581)² residential
2 accounts with LETTS Tanks on the premises. Of these accounts, five hundred sixty-five
3 (565) were listed as “active” and sixteen (16) were listed as “inactive,” based on the review
4 of the information provided to ORS. BGWC stated during ORS’s review that “in advance
5 of filing its application in Docket No. 2018-361-S, the Company suspended charging
6 customers the \$150 fee for pumping the solids interceptor tanks.”³ During 2018 and 2019,
7 BGWC did identify one (1) charge⁴ to a customer in December 2018 for work related to
8 pumping of a full LETTS Tank. In total, the Company provided to ORS thirty (30)⁵
9 instances of pumping charges during the Test Year. ORS’s review found that, during the
10 Test Year, the pumping work for LETTS Tanks was generally completed by three (3)
11 different third-party vendors. ORS reviewed the third-party vendor invoices and
12 determined an average cost to perform pumping of a LETTS Tank was approximately \$750
13 during the Test Year. The Company did not bill 29 customers for the approved \$150
14 Pumping Charge and included the full expense from its third-party vendors as an expense
15 to be recovered from all customers.

16 **Q. DOES THE COMPANY PROPOSE ALTERNATIVE OPTIONS FOR**
17 **CUSTOMERS TO SCHEDULE AND ARRANGE FOR THE CLEANING AND**
18 **PUMPING OF LETTS TANKS IN THE APPLICATION?**

19 **A.** No. The approved tariff language also does not contain alternative options for
20 customers. In the proposed tariff language in the Application and in the current approved
21 tariff language, a BGWC customer with a LETTS Tank does not have the option to obtain

² Response to Energy Operations Request (“EOR”) #5, Question 1.a.

³ Response to EOR #5, Question 1.c.

⁴ Response to EOR #5, Question 1.c.

⁵ Responses to EOR #5, Question 2; EOR #12, Question 1; and EOR #31, Questions 1 and 2.

1 quotes from BGWC or another qualified, applicable third-party vendor or contractor to
2 make a fair and reasonable decision.

3 **Q. HAS THE COMMISSION ALLOWED THE CUSTOMER TO CHOOSE ITS**
4 **SERVICE PROVIDER IN OTHER SITUATIONS?**

5 **A.** Yes. The Commission handled a similar situation with grinder pump service and
6 maintenance in Docket No. 2007-359-WS and Order No. 2008-492. Total Environmental
7 Solutions, Inc. ("TESI") and the Foxwood Hills Property Owners Association ("Foxwood
8 POA") reached a settlement agreement where TESI, upon securing customer signature and
9 approval on the specified Property Owner Agreement, would be responsible to repair and
10 maintain all current and future grinder pumps. In the event TESI did not receive or obtain
11 a customer's signature and approval on the specified Property Owner Agreement, then
12 TESI would be responsible to oversee the repair and maintenance and/or replacement of
13 the customer's grinder pump(s), but not effectuate the repairs and maintenance itself.

14 Order No. 2008-492 approved the settlement between TESI and the Foxwood POA
15 stating that the terms were just and reasonable and noted the settlement as in the public
16 interest. The order stated that each property owner will be allowed to elect whether to enter
17 into the Property Owner Agreement with TESI to have TESI repair and maintain the
18 grinder pump at the property owner's expense, or whether to repair and maintain his or her
19 own grinder pump. If a property owner elects not to enter into the Property Owner
20 Agreement with TESI, he or she may continue to maintain his or her own grinder pump,
21 but TESI shall oversee the repair, maintenance, or replacement of the grinder pump. The
22 property owners who elect to have TESI repair and maintain their grinder pumps will be
23 charged only for the amount charged to TESI by the third-party contractors who perform

the work. TESI will not charge the affected customers for the personnel and overhead costs incurred in managing the grinder pump repair and maintenance process.

Q. IF A BGWC CUSTOMER AGREES TO AND APPROVES BGWC TO PERFORM WORK ASSOCIATED WITH PUMPING CHARGES FOR LETTS TANKS, HOW SHOULD THE COSTS ASSOCIATED WITH PUMPING AND CLEANING OF A CUSTOMER'S LETTS TANK BE ASSESSED?

A. It is ORS's position BGWC customers should be provided an opportunity to agree with and approve BGWC to perform work associated with LETTS Tanks. If, by agreement, the customer chooses to have BGWC perform pumping services on the customer's LETTS Tank, then BGWC should be permitted to recover the actual costs associated with pumping and cleaning of a customer's LETTS Tank after an estimate of the actual costs were provided to the customer prior to the work being scheduled and completed. Alternatively, the customer with a LETTS Tank should be allowed to chose to have the pumping services performed by a third-party vendor, at the customer's expense, and provide BGWC proof the LETTS Tank was pumped.

Q. PLEASE EXPLAIN HOW THE PUMPING SERVICES PERFORMED BY BGWC SHOULD BE REFLECTED ON A CUSTOMERS BILL.

A. ORS recommends that if a BGWC customer agrees to and approves BGWC to perform work on a LETTS Tank after BGWC provides the customer an estimate prior to the work being scheduled and completed, BGWC should be permitted to bill the customer for the actual costs. The pumping charge should be reflected as a separate line item on the customer's next bill. Additionally, the customer should be allowed to have the charge billed in twelve (12) equal monthly installments.

Q. PLEASE SUMMARIZE ORS'S RECOMMENDATIONS FOR THE PUMPING CHARGE FOR CUSTOMER LETTS TANKS.

A. ORS recommends the Company be required to offer the customer alternative options, similar to those adopted by the Commission in Order No. 2008-492, Docket No. 2007-359-WS which expand choice for BGWC customers and provide certain customer protections. To protect customers, ORS requests the Commission approve the following modifications to the proposed Pumping Charge:

- 1) Require BGWC to provide an estimate of the actual cost of the pumping service to the customer prior to the work being scheduled and completed.
- 2) Allow the customer to seek alternative options for the pumping service to their LETTS Tank by obtaining quotes/estimates from third-party vendors and contractors.
- 3) Require the customer to approve and authorize BGWC to provide pumping services in writing prior to service being performed.
- 4) The Pumping Charge may not exceed the estimate of the actual cost BGWC provided to the customer. Additionally, the cost charged to the customer should not exceed the amount charged to BGWC by any third-party vendors or contractors who perform the work.
- 5) If the customer chooses to use an alternative third-party vendor to perform services on their LETTS Tank, BGWC may oversee and inspect the work but will not charge the affected customers for the personnel and overhead costs incurred in managing the LETTS Tank related work.

- 1 6) Require the customer to provide, in a timely manner, BGWC proof the pumping
2 and service performed on the LETTS Tank has occurred by a third-party vendor
3 or contractor.
- 4 7) Require the Pumping Charge be included as a separate line item on the
5 customer's next bill.
- 6 8) Allow the customer the choice to have the charge billed in twelve (12) equal
7 monthly installments.
- 8 9) Adopt the tariff language changes as proposed in Exhibit BSB-1 and reflected in
9 ORS Witness Sandonato's Exhibit AMS-5.

10 **Proposed Round Up Program**

11 **Q. PLEASE DESCRIBE THE PROPOSED ROUND UP PROGRAM.**

12 **A.** BGWC seeks Commission authority to implement a voluntary Round Up Program,
13 which would round participating customer bills to the nearest higher dollar, with the
14 difference being accumulated in a reserve fund for remittance to the South Carolina Office
15 for Economic Opportunity ("SCOEO"). The funds would be distributed to the Community
16 Action Agencies in the Company's service territory to assist low income customers with
17 payment of their water and sewer bills. The Company also seeks approval to defer
18 implementation costs for the customer Round Up Program related to modifications of its
19 billing system and "MyUtilityConnect" customer service application, for recovery in the
20 Company's next rate proceeding.⁶

⁶ Application, Page 7 of 8, Item 26.

Q. IF APPROVED, HOW WOULD THE FUNDS VOLUNTARILY CONTRIBUTED BY CUSTOMERS FOR THE PROPOSED ROUND UP PROGRAM BE UTILIZED?

A. The Company stated in responses to ORS discovery that the funds voluntarily contributed by customers for the proposed Round Up Program would be for “eligible BGW[C] customers to access to assist in covering their BGW[C] water/sewer bill.”⁷ This is also reiterated in the Direct Testimony of Company Witness DeStefano noting that the funds would “assist Blue Granite low income customers with their water and sewer bills.”⁸

Q. PLEASE EXPLAIN THE IMPLEMENTATION OF THE PROPOSED ROUND UP PROGRAM.

A. ORS reviewed the documents provided by the Company and the communications between BGWC and SCOEO regarding the creation of a voluntary Round Up Program. During its review, ORS determined that the SCOEO currently does not have a program for low-income assistance with water and sewer bills. The Company provided to ORS a copy of the executed Memorandum of Understanding (“SCOEO Memo”) relating to the proposed Round Up Program.

A detailed review of the SCOEO Memo revealed several key points related to eligibility for customers as to how the proposed Round Up Program would be implemented. Those key points are:

⁷ Response to EOR #3, Question 2.

⁸ Direct Testimony of Dante DeStefano, Page 23, line 23 and Page 24, line 1.

- 1 • The Round Up Program is intended to assist eligible households in communities
2 served by BGWC within the State (i.e., BGWC customers can only use the funds
3 to pay their BGWC bills).⁹
- 4 • To be an eligible BGWC customer for the proposed Round Up Program, that
5 customer must be at or below 125% of the Federal Poverty Level.¹⁰
- 6 • The funds for the proposed Round Up Program may be issued in an amount not to
7 exceed fifty dollars (\$50), per qualifying household, for the payment of outstanding
8 water or sewer services charges, or a deposit on a residential customer account.¹¹
- 9 • The funds for the proposed Round Up Program will be provided as a one-time
10 service for eligible residential customers during the Program Year (Program Year
11 is defined as “the operational period for Blue Granite Project Share is July 1 to June
12 30” in the SCOEO Memo).¹²

13 **Q. HOW WOULD CUSTOMERS ENROLL OR CANCEL THEIR ENROLLMENT IN**
14 **THE PROPOSED ROUND UP PROGRAM?**

15 **A.** The Company will use the mobile app, MyUtilityConnect, for customers to “opt-
16 in” to the Round Up Program. Alternatively, the customer can call the BGWC Customer
17 Service Center to work with a customer service representative to initiate the program on
18 their account. Removing the account from enrollment would work similarly.¹³ Witness
19 DeStefano’s Direct Testimony reflects a summarized version of the proposed enrollment
20 process.¹⁴

⁹ Response to EOR #8, Question 1.

¹⁰ Response to EOR #8, Question 1.

¹¹ Response to EOR #8, Question 1.

¹² Response to EOR #8, Question 1.

¹³ Response to EOR #8, Question 4.

¹⁴ Direct Testimony of Dante DeStefano, Page 24, Lines 18-21.

Q. PLEASE EXPLAIN HOW THE PROPOSED ROUND UP PROGRAM WOULD BE REFLECTED ON A CUSTOMER'S BILL.

A. The Company was unable to provide ORS with a sample bill form to demonstrate how the Round Up Program would be reflected on a customer's bill after the customer opted into the Round Up Program. However, the Company did provide a proposal as to what the bill might look like. The proposed method reflects a separate line item on the customer's bill under a heading of "Other Charges," titled "Round Up Program."¹⁵

Q. DOES THE COMPANY OR ANY OF ITS AFFILIATE COMPANIES CURRENTLY UTILIZE A ROUND UP PROGRAM ACROSS ANY OF THEIR SERVICE TERRITORIES?

A. No. The Company stated that "neither the Company nor its affiliates are currently utilizing a Round Up Program."¹⁶

Q. ARE THERE ANY OTHER WATER OR SEWER UTILITIES UNDER THE COMMISSION'S JURISDICTION THAT UTILIZE A ROUND UP PROGRAM THAT IS THE SAME OR SIMILAR TO THE ONE PROPOSED IN THIS PROCEEDING?

A. ORS is not aware of any water or sewer utilities under the Commission's jurisdiction that utilize a Round Up Program that is the same or similar to the one proposed in this proceeding.

Q. ARE THERE PROGRAMS USED BY OTHER UTILITIES IN THE STATE OF SOUTH CAROLINA SIMILAR TO THE PROPOSED ROUND UP PROGRAM IN THIS PROCEEDING?

¹⁵ Response to EOR #8, Question 6.

¹⁶ Response to EOR #9, Question 3.

1 **A.** Yes. Duke Energy utilizes a program called Share the Warmth, and Dominion
2 Energy South Carolina, Inc. (“DESC”) DESC utilizes a program called Project Share. Both
3 Duke Energy¹⁷ and DESC¹⁸ list their programs on their respective websites. The programs
4 utilized by the electric utilities work with local agencies to provide help with customer’s
5 electric and/or natural gas bills in a similar methodology that is described by BGWC in its
6 proposed Round Up Program.

7 **Q. HOW DOES THE COMPANY PLAN TO NOTIFY OR COMMUNICATE TO**
8 **CUSTOMERS ABOUT THE PROPOSED ROUND UP PROGRAM?**

9 **A.** BGWC stated that it would “leverage existing no-cost channels for initial rollout
10 (email, social media, bill messages, and the Company’s website) to provide information
11 about the program and how to enroll. Customers who do not have an email on file would
12 receive a bill insert with their first bill after program approval. The Company would also
13 supply bill inserts on a periodic basis (at least annually) to maintain and expand customer
14 engagement with the program, as well as provide information at its quarterly customer
15 “drop-in” meetings in the local communities.”¹⁹

16 **Q. PLEASE IDENTIFY ANY COSTS ASSOCIATED WITH THE PROPOSED**
17 **ROUND UP PROGRAM THAT BGWC IS REQUESTING RECOVERY FOR IN**
18 **THIS RATE CASE.**

19 **A.** The Company is requesting recovery of the estimated cost for bill inserts/flyers to
20 be used as communication for customer engagement regarding the Round Up Program.²⁰

¹⁷ Link to Duke Energy’s Share the Warmth Program: <https://www.duke-energy.com/community/customer-assistance-programs/share-the-warmth>

¹⁸ Link to DESC’s Project Share: <https://www.sceg.com/paying-my-bill/assistance-programs>

¹⁹ Response to EOR #8, Question 5.

²⁰ Response to EOR #8, Question 5 and EOR #15, Question 1.

1 The estimated costs were provided by the Company in their Pro-Forma Adjustments as
2 \$14,674.

3 **Q. PLEASE EXPLAIN HOW DUKE ENERGY TREATS THE COSTS FOR**
4 **ADMINISTERING THE SHARE THE WARMTH PROGRAM.**

5 **A.** In the case of Duke Energy, the costs for administering Duke Energy's Share the
6 Warmth Program are paid by Duke Energy shareholders. Additionally, Duke Energy
7 shareholders bear all costs including program communications and program advertising to
8 customers to educate/inform them (such as bill inserts, flyers, etc.). This is a key difference
9 between the Company's proposed Round Up Program and what is used by Duke Energy.
10 BGWC is seeking approval to defer the implementation costs for the Round Up Program
11 for recovery in the Company's next rate proceeding, and BGWC is also requesting
12 recovery of the cost for bill inserts/flyers (as previously noted, proposed Pro-Forma
13 Adjustments totaling \$14,674 and would be an annual expense for the Company).

14 **Q. PLEASE DESCRIBE ORS'S FINDINGS REGARDING POSSIBLE**
15 **IMPLEMENTATION COSTS AND COSTS TO MAINTAIN, MONITOR, AND**
16 **RUN THE PROPOSED ROUND UP PROGRAM.**

17 **A.** Witness DeStefano's Direct Testimony and the Company's Application both state
18 that BGWC seeks to "defer implementation costs"²¹ for recovery in the next base rate case.
19 ORS's review found the Company's total estimated cost range for implementation is
20 between "\$29,000" and "\$50,000."²² The Company provided details on the description of
21 work for implementation for the MyUtilityConnect customer service application and the

²¹ Direct Testimony of Dante DeStefano, Page 24, Line 2; Application, Page 7 of 8, Item 26.

²² Response to EOR #8, Question 3.

BGWC billing system (“CC&B”). The Company intends to manage and maintain the program using its existing call center, back office systems and communication channels.²³

Q. IS THE PROPOSED ROUND UP PROGRAM VOLUNTARY OR MANDATORY FOR CUSTOMERS?

A. The Round Up Program, as proposed by the Company, is a voluntary program that customers can opt in or out of at any time. It is not a program that would be required to assist, aid, or otherwise support the Company’s ability to provide safe and reliable service to its customers. The proposed Round Up Program also does not impact the Company’s ability to provide safe and reliable water and sewer service to customers.

Q. PLEASE EXPLAIN ORS’S RECOMMENDATIONS PERTAINING TO THE PROPOSED ROUND UP PROGRAM.

A. ORS supports a Round Up Program to assist low income customers of BGWC. ORS recommends the Company’s Round Up Program be modified to ensure customers of BGWC do not pay the Company’s estimated costs associated with development, implementation, maintenance, and communication expenses. ORS’s proposed modification and adjustment to remove estimated costs will ensure BGWC customers are treated in a similar manner as customers of Duke Energy. Therefore, ORS recommends the Commission deny BGWC’s request to recover the estimated costs for the Round Up Program related to modifications of its billing system and MyUtilityConnect customer service application for recovery in the Company’s next rate proceeding as well as to deny BGWC’s request for recovery of the estimated cost for bill inserts/flyers to be used for the Round Up Program. The Company’s estimated costs are not known and measurable and

²³ Response to EOR #15, Question 1.

do not contribute to the provision of safe and reliable water and sewer service. ORS's adjustment is reflected in ORS Witness Sullivan's Audit Exhibit DFS-5, Adjustment 15b.

Normalize Storm Costs

Q. IS THE COMPANY PROPOSING TO RECOVER THE COST ASSOCIATED WITH STORM DAMAGE AS PART OF BASE RATES?

A. Yes. The Company proposes to include an expense of \$51,802 for storm costs.²⁴

Q. PLEASE EXPLAIN ORS'S ADJUSTMENT TO NORMALIZE STORM COSTS.

A. The Company experienced storm restoration expenses during the Test Year of \$51,802. ORS reviewed the previous 10 years (2010 – 2019)²⁵ of storm restoration costs the Company incurred, excluding the costs related to Hurricanes Florence and Michael in September/October 2018 since the Company was granted deferred accounting treatment for the costs related to these storms per Order No. 2019-125 in Docket No. 2019-17-W. Due to fluctuations in annual storm restoration costs, ORS recommends eliminating the expenses in the highest and lowest years and to use an eight-year average expense level. For the data pertaining to year 2019, ORS prorated the amount based on the information BGWC provided to ORS on November 22, 2019. Given the above criteria, ORS found the long-term average yearly storm costs to be \$28,320.51.

Therefore, ORS recommends the normalization adjustment of \$23,481. This is reflected in ORS Witness Sullivan's Exhibit DFS-5, Adjustment #9d. Normalization of storm costs using this method has been approved by this Commission in Order Nos. 2019-341 and 2019-323.

Proposed Storm Reserve Fund

²⁴ Direct Testimony of Dante DeStefano, Page 22, Lines 7-8.

²⁵ Responses to EOR #6, Question 10 and EOR #28, Question 1.

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED STORM RESERVE FUND.

A. BGWC seeks authority to initiate a Storm Reserve Fund ("Fund") for extraordinary storm restoration costs beyond those included in the Company's revenue requirement, such as those experienced in the wake of Hurricanes Florence and Michael in September/October 2018. The proposed Fund would total \$200,000 and would be funded through a monthly, flat surcharge of \$0.53 per customer, per service. A BGWC customer who receives both water and sewer service would be charged \$1.06 per month. Further, the Company would suspend and reinstitute collections from customers for the Fund as the Fund reaches \$200,000 and as actual costs are incurred by the Company.²⁶

If BGWC's proposed Storm Reserve Fund were to be approved, the \$0.53 charge per service would begin subsequent to this proceeding. BGWC would then track actual storm costs from the effective approval date of the proposed Storm Reserve Fund. If the Company were to incur costs exceeding the approved base rate recovery level, then those costs would be charged against the Fund. The Company will inform the Commission and ORS of any suspension or reinstitution of the Fund collection from customers.

Q. PLEASE EXPLAIN HOW THE \$0.53 CHARGE WILL BE REFLECTED ON CUSTOMER'S BILLS.

A. The Company's proposed Fund charge applies to both water and sewer service for each customer. A water only or a sewer only customer would have a single charge of \$0.53 added to their bill, while a customer who receives both water and sewer service would have two (2) separate charges of \$0.53, one for each service totaling \$1.06.

²⁶ Application, Page 8 of 8, Item 27.

The Company was unable to provide ORS with a sample bill form to demonstrate how the Fund would be reflected on a customer's bill. However, the Company did provide a proposal/draft to ORS as to what the bill might look like. In this proposal/draft, the customer used water and sewer services from the Company. As such, the proposed charge of \$0.53 appeared twice (once for water and once for sewer) in the sample bill.

Additionally, ORS inquired as to whether a message would be included on a customer's bill should the Storm Reserve Fund be approved. The Company proposed two messages for a customer's bill, a message for initiation of the charge, and another message for when the charge is suspended.

Q. PLEASE EXPLAIN HOW THE PROPOSED STORM RESERVE FUND AMOUNT OF \$200,000 AND THE PROPOSED CHARGE OF \$0.53 PER MONTH PER SERVICE WAS DETERMINED BY THE COMPANY.

A. BGWC relied upon the level of expenses from Hurricane Florence and Hurricane Michael in September/October 2018 to determine the Fund amount. In the deferral approved by the Commission in Order No. 2019-125, the Company recorded \$208,713 in storm costs. ORS verified the costs and the Company's calculation of the monthly Fund charge. In addition, ORS confirmed it would take approximately one (1) year to fully fund the \$200,000 requested by the Company. Additionally, the Company may adjust the Fund amount and monthly charge in the future.

When comparing the proposed Fund amount of \$200,000 to the annual storm expenses of the Company over the previous ten (10) years (2010-2019), this proposal is significantly higher than the average as noted previously of \$28,320.51. In fact, the highest

amount of storm restoration costs paid by the Company was stated as \$54,716.21 in 2018.²⁷ With a ten (10) average of \$28,320.51 and a high of \$54,716.21 (excluding the expenses related to Hurricanes Florence and Michael), it would not appear that storm restoration costs would reach a \$200,000 threshold on a regular basis.

Q. WHAT EXPENSES WOULD QUALIFY FOR WITHDRAWAL FROM THE STORM RESERVE FUND?

A. The Company stated that the proposed Fund “would be used to cover extraordinary storm restoration costs beyond those included in the Company’s revenue requirement, and that such costs would include, for example, generator services necessary to restore service, damage assessments and inspections, site preparation, and facilities repair.”²⁸

Q. DOES THE PROPOSED STORM RESERVE FUND CONTAIN ANY REQUIREMENTS AS TO WHEN THE FUND CAN BE ACCESSED BY THE COMPANY OR OTHER CUSTOMER PROTECTIONS?

No. The proposed Fund would be utilized by the Company once incurred storm expenses exceed the storm cost amount included in the Company’s revenue requirement. For example, if ORS’s adjustment to normalize storm costs is approved by the Commission, any storm restoration costs that exceed \$28,320.51 could be drawn from the proposed Fund by the Company to offset related expenses. This in turn does not provide accountability and adequate protections for customers because the Company, in its proposal, has unrestricted access to the Fund with few limits or constraints.

Company Witness DeStefano states in his Direct Testimony that the Company’s “proposed Storm Reserve Fund mitigates the potential for a catastrophic storm to erode the

²⁷ Response to EOR #6, Question 10 and EOR #28, Question 1.

²⁸ Response to EOR #6, Question 8.

Company's earnings and impair the Company's financial ability."²⁹ ORS believes the primary reason for the Fund should not be to preserve the Company's earnings. The Company does have other mechanisms available to recover unanticipated or extraordinary costs associated with a storm such as deferred accounting treatment (i.e. deferrals). The Fund, as proposed, does not provide customers additional benefits such as increased water and sewer service reliability or cost savings.

Q. PLEASE EXPLAIN THE COMPANY'S USE OF DEFERRAL ACCOUNTING TREATMENT FOR STORM COSTS.

A. The Company was granted deferred accounting treatment by Order No. 2019-125 in Docket No. 2019-17-W for storm costs related to Hurricanes Florence and Michael in September/October of 2018. While these storms caused damage and storm restoration costs, the Company has not reported similar damage and restoration costs to that degree consistently over a ten (10) year period. The deferral method is an acceptable method to recover extraordinary costs related to storm damage and storm restoration.

Q. DID BGWC CUSTOMERS SUFFER WITH SERVICE RELIABILITY ISSUES DUE TO STORM DAMAGE DURING THE MOST RECENT FIVE (5) YEARS (2015 – 2019)?

A. No. ORS reviewed service interruptions experienced by BGWC customers over the last five (5) years (2015-2019) to determine if storm damage was the cause of the service interruption. ORS determined that very few, if any, BGWC customers have been without reliable water and sewer service due to storm damage. The Company's response

²⁹ Direct Testimony of Dante DeStefano, Page 21, Lines 7-9.

to ORS stated that the Company “has not identified any water or sewer customers who have lost service due to storm damage in the last five (5) years.”³⁰

Q. DOES THE COMPANY OR ANY OF ITS AFFILIATE COMPANIES CURRENTLY UTILIZE A STORM RESERVE FUND?

A. No. The Company indicated that none of its affiliate companies have an approved Fund.³¹

Q. DO ANY WATER OR SEWER UTILITIES UNDER THE COMMISSION’S JURISDICTION UTILIZE A STORM RESERVE FUND OR COLLECT FUNDS FROM CUSTOMERS TO HOLD IN A RESERVE ACCOUNT?

A. No. ORS is not aware of any water or sewer utilities that utilize a Storm Reserve Fund or collect funds from customers to hold in a reserve account under the Commission’s jurisdiction. Water and sewer utilities are authorized to collect deposits in accordance with the Commissions regulations 103-531 and 103-731

Q. PLEASE EXPLAIN WHAT UTILITIES UNDER THE COMMISSION’S JURISDICTION UTILIZE A STORM RESERVE FUND.

A. DESC and Duke Energy Carolinas, LLC (“DEC”) both were granted approval to utilize Storm Reserve Funds. DESC’s fund was approved in Order No. 96-15, Docket No. 95-1000-E. DEC’s fund was approved in Order No. 2010-79, Docket No. 2009-226-E. It should be noted that Duke Energy Progress, LLC (“DEP”) does not have a Storm Reserve Fund, however, DEP must examine the feasibility and customer benefits of a Storm Reserve Fund and provide a proposal to ORS to evaluate before DEP’s next rate case (Order No. 2019-341). It should also be noted that in DESC’s last rate case, Docket No.

³⁰ Response to EOR #29, Question 3.

³¹ Response to EOR #9, Question 1.

2012-218-E, the Storm Reserve Fund was indefinitely suspended per Order No. 2012-951. The collection of DESC's storm damage reserve rider was not reinstated (i.e., the rider or charge on a customer's bill was set to \$0.00)

Q. PLEASE EXPLAIN ORS'S RECOMMENDATION PERTAINING TO THE PROPOSED STORM RESERVE FUND.

A. Generally, ORS supports a Storm Reserve Fund which contains sufficient customer protections, increases service reliability and contains strict procedures for fund operations. The Company's current proposal does not increase service reliability because few customers experience service interruptions due to weather events. ORS recommends the Fund be modified to include the following customer protections:

- The Fund shall be utilized for damage incurred as a result of a named storm (as named by the World Meteorological Organization).
- The Fund shall be utilized if the Company's insurance does not extend to cover all costs related to damage from a named storm.
- The Company shall report quarterly to the Commission and ORS the status updates of the Fund including, but not limited to, dates and amounts of withdrawals and expenditures from the Fund, current balance, and current monthly surcharge.

If the Commission determines a Storm Reserve Fund is needed, the Company should provide detailed procedures to the Commission for approval that outline, in a transparent manner, how the funds will be used, accounted for and reported to the ORS and Commission. Additionally, ORS recommends a significantly lower threshold of \$50,000 be utilized that is more closely aligned with the Company's average annual expenses for

1 storm costs. The Storm Reserve Fund should be subject to regulatory accounting standards
2 as a reduction to rate base.

3 **Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT**
4 **BECOMES AVAILABLE?**

5 **A.** Yes. ORS reserves the right to revise its recommendations via supplemental
6 testimony should new information not previously provided by the Company, or other
7 sources become available.

8 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

9 **A.** Yes, it does.